

CONDENSED LICENSING RULES

Special Sales Permit for Manufacturer of Gambling Equipment / Paraphernalia

WAC 230-04-022 CERTIFICATION PROCEDURE – INFORMATION REQUIRED FROM ALL APPLICANTS.

In addition to other information required by the commission, each applicant shall provide the following information on or attached to the application:

Articles of incorporation and bylaws.

(1) Copy of corporate applicants' articles of incorporation and bylaws; or, if not a corporation, a copy of any bylaws and other documents which set out the organizational structure and purposes of the organization;

IRS tax exemption letter.

(2) A copy of a nonprofit or charitable applicant's Internal Revenue Service tax exemption letter if one has been obtained;

Lease or rental agreements.

(3) Details and copies of all lease or rental arrangements, whether oral or written, between the applicant and the owner of premises upon which the gambling activity will be conducted, if such premises are leased or rented;

Franchise agreements.

(4) Details and copies of any and all franchise agreements or other agreements, whether written or oral, if any, between the applicant and distributors or manufacturers of equipment or between the applicant and any other person where those agreements relate to gambling activities or gambling equipment;

Management agreements.

(5) Details and copies of all proposed management agreements or contracts between the applicant and any gambling service supplier involved in providing services defined in WAC 230-02-205. All such agreements or contracts shall be reviewed by commission staff prior to the effective dates of the agreements to assure compliance with this title. No financing or management services shall be provided prior to commission approval of the contracts;

Paid employees or agents.

(6) The name, address, date of birth, and Social Security number of each paid employee or agent who will work in the activity for which the license is sought and a schedule of the proposed number of employees, job descriptions, and a proposed pay schedule;

Substantial interest holders.

(7) Sufficient personal information to ensure each substantial interest holder as defined by WAC 230-02-300 is qualified to hold a license or participate in a licensed or authorized gambling activity;

Report changes to application.

(8) If any information required on the application, changes or becomes inaccurate in any way, the

commission shall be notified prior to issuance of a license. Failure to notify the commission of any changes affecting an application may constitute grounds for suspension or revocation of all licenses.

Exceptions for cities and towns.

(9) Subsections (1), (2), and (7) of this section shall not apply to applications by or on behalf of an incorporated city or town in the state of Washington.

WAC 230-04-110 LICENSING OF MANUFACTURERS.

Except as authorized by WAC 230-04-115, a license must be obtained from the commission prior to manufacturing, selling, or supplying gambling equipment to any person(s) within this state, or for use within this state. The following requirements apply to certification and licensing of manufacturers:

Information required on an application.

(1) The following information shall be submitted on an application form supplied by the commission:

- (a) The full name and address of the applicant;
- (b) The full name and address of each location where such devices are manufactured or stored;
- (c) The name, home address, and share of ownership of all owners of the manufacturing business if the business is not a corporation. If the business is a corporation, the name, address, and share of ownership of the officers, the directors, and substantial interest holders;
- (d) A full description of each separate type of gambling equipment or device that an applicant seeks to manufacture or to market in this state;
- (e) The brand name under which each type of gambling device or equipment is sold;
- (f) If the applicant is incorporated under laws other than the laws of Washington state, then the full name and business and home address of the resident agent designated by the applicant pursuant to WAC 230-12-300; and
- (g) A list of all distributors receiving gambling equipment and all businesses or organizations located within the state of Washington in which the applicant has any financial interest and the details of that financial interest. For the purpose of this subsection, the term financial interest shall include all arrangements through which a person directly or indirectly receives any portion of the profits of the licensed manufacturer and indebtedness between the licensee and any other person, other than a regulated financial institution, in excess of five thousand dollars.

Information to be included with an application.

- (2) The following information shall be included as an attachment to the application form:
 - (a) A list of all affiliated businesses or corporations in which the applicant, officers, directors, or substantial interest holders of the applicant, either directly or indirectly, own or control:

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- (i) As a sole proprietor;
- (ii) As a partner;
- (iii) More than fifty percent of the voting stock of a privately held or closed corporation; or
- (iv) At least five percent of the voting stock of a publicly traded corporation.

(b) A list of all businesses or corporations licensed to conduct gambling activities or to supply gambling-related equipment, supplies, or services in which the applicant, officers, directors, or substantial interest holders of the applicant have any interest;

(c) A list of all jurisdictions in which the applicant or any of the officers, directors, or substantial interest holders of the applicant have been licensed regarding gambling related activities at any level during the preceding ten years;

(d) A statement regarding whether the applicant or officers, directors, or substantial interest holders have ever had a license for gambling-related activities denied, revoked, or suspended by any jurisdiction for a period longer than thirty days. All details of such must be provided as a part of the application; and

(e) A statement acknowledging that all records related to the ownership or operation of the business shall be made available for review at the time and place requested by commission staff.

Additional information may be required from applicant.

(3) The following records shall also be available for inspection by commission staff:

(a) Personal financial records of all substantial interest holders;

(b) All records related to the scope of activity, including sales of product, purchases of raw materials and parts, and any contracts, franchises, patent agreements, etc., related to sales or purchases; and

(c) Records related to any financial or management control of or by customers and suppliers.

Applicant to demonstrate ability to comply with rules.

(4) An applicant must demonstrate the ability to comply with all manufacturing, quality control, and operational restrictions imposed on authorized gambling equipment, patented or otherwise restricted gaming schemes (also referred to as proprietary games), or equipment that it seeks to manufacture or market for use within the state of Washington. The licensing process shall include an on-site review of the applicant's manufacturing equipment and process for each separate type of authorized gambling device, equipment, or scheme to ensure capability to comply with all regulatory requirements of this title and state/tribal compacts;

Notifying commission staff of changes on an application.

(5) The applicant shall notify the commission within thirty days of any change in the information submitted on

or with the application form, including changes that occur after the license has been issued; and

Applicant to comply with all laws and rules.

(6) The applicant shall comply with all applicable laws of the United States and the state of Washington and all applicable rules of this commission.

WAC 230-04-115 LICENSING OF MANUFACTURERS – EXCEPTION – SPECIAL SALES PERMIT. The director may grant a special sales permit authorizing a manufacturer to sell to a licensee or a tribal government, on a limited basis, authorized gambling equipment, patented or otherwise restricted gaming scheme, or paraphernalia.

Criteria for a special sales permit.

(1) A special sales permit may be issued when demand for a particular type of equipment, scheme, or paraphernalia is anticipated to be below the level of economic feasibility of obtaining a license.

Information required on an application.

(2) The following information shall be submitted on an application form supplied by the commission:

- (a) Description of product(s), including trade name(s);
- (b) Anticipated scope of sales, in quantity and dollar value;

(c) The name and address of the licensee(s) that will broker the equipment;

(d) All information necessary to determine the qualification of the manufacturer; and

(e) A list of all jurisdictions in which the applicant business or any of the officers, directors, or substantial interest holders is currently licensed to conduct business related to gambling.

Initial investigation by staff.

(3) Upon receipt of all moneys requested by the commission, a limited investigation shall be initiated, the scope of which shall be established using the following criterion:

- (a) Anticipated demand for such equipment;
- (b) The nature of the equipment, including other sources of such equipment;
- (c) The availability of information from appropriate sources to verify the qualification of such manufacturer;
- (d) Annual sales compared to the anticipated cost of a comprehensive licensing investigation;
- (e) Whether the equipment, after installation, will require an ongoing relationship with the manufacturer;
- (f) Security issues related to the manufacturing, installation, and ongoing service of the equipment; and
- (g) Other factors deemed relevant.

Requirements not met for a special sales permit.

(4) At any time during the investigation process, the director may determine that a license is required under WAC 230-04-110. Upon notification of such, the applicant

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may withdraw their permit application without prejudice. If the applicant elects to proceed with an application for a manufacturer's license, all fees will be credited toward the appropriate license fee.

Duration of a special sales permit.

(5) A special sales permit shall be valid for a period of one year from the date of issuance: Provided, That the director may void a permit upon written notice and require a license be obtained under WAC 230-04-110 prior to further sales.

Fee for a special sales permit.

(6) The fee for a special sales permit shall be as set forth in WAC 230-04-203.

WAC 230-12-305 LICENSEE REQUIRED TO SUBMIT UPDATED DOCUMENTS OR INFORMATION.

In addition to any other requirements set forth in these rules, the persons licensed by the commission shall be required to submit any changes in the following documents or information on file with the commission:

(1) Articles of incorporation or by laws, or any other documents which set out the organizational structure and purposes;

(2) Internal Revenue Service tax exemption status (charitable/nonprofit organizations only);

(3) All leases, rental, consignment, franchise, or other agreements relating to gambling activities or altering the commercial stimulant business, whether oral or written; and

(4) All loans, from other than recognized financial institutions, which individually or collectively exceed a total of \$2,000.00 during any calendar year.

The new or updated documents and/or information shall be submitted to the commission by notation on the next quarterly activity report filed, and by attaching all details concerning each transaction: Provided, That licensees not required to submit quarterly activity reports shall submit the required information no later than 60 days following the transaction(s) date.

WAC 230-12-310 LICENSEES TO REPORT TO THE COMMISSION CIVIL, CRIMINAL AND ADMINISTRATIVE ACTIONS FILED AGAINST THEM.

(1) Each licensee shall report to the commission within fourteen days, all criminal actions filed against the licensee or the licensee's president, chief executive officer, chairman of the board, treasurer (chief financial officer), partner, person holding a substantial interest or manager of the licensed gambling activity. The final disposition of the case must be attached with the next quarterly activity report filed with the commission. Organizations not required to submit quarterly activity reports shall send the report to the commission within thirty days after the final disposition.

(2) Each licensee shall report to the commission civil and administrative actions filed by or against persons listed in subsection (1) of this section that involve ownership or control of the business, dissolutions, actions significantly affecting business interests, such as patent or copyright infringement and all administrative actions from other gambling regulatory agencies, including those from other countries and Indian tribes. This report shall be attached to the next quarterly activity report filed with the commission. Organizations not required to submit quarterly reports shall send the report to the commission within thirty days of their receipt of notice of the action filed and within thirty days after the final disposition.

(3) The report shall consist of a complete copy of the original documents filed. The licensee shall notify the commission of the final disposition of the case and include a copy of the final documents filed including, but not limited to, settlement agreements.

(4) The director may exempt reporting specific types of civil actions upon written request and for good cause shown.